BRALORNE RESOURCES LIMITED

1973 ANNUAL REPORT

Offshore drilling rig silhouetted against evening sky reflects the world's relentless search for oil and natural gas. In addition to acreages on shore, Bralorne holds interests in oil and gas acreages being explored in the Gulf Coast off Texas, the Netherlands sector of the North Sea, the Celtic Sea, and off-shore Ireland.

Employees at December 31, 1973 numbered 759.

Total wages, salaries and benefits paid to employees in

1973	1972
$6,831,425	$5,600,970

Canadian shareholders should note that the Valuation Day (December 22nd, 1971) quotation for the Company's shares as determined by the Department of National Revenue, Taxation is $1.75.

The Annual General Meeting of Shareholders will be held in the Hyatt Regency Hotel, Vancouver, B.C. on Wednesday, May 1st, 1974 at 10:00 AM..

TRANSFER AGENT AND REGISTRAR
The Royal Trust Company
Vancouver, Toronto and Montreal

CO-TRANSFER AGENT
The First Jersey National Bank
Jersey City, New Jersey, U.S.A.

SHARES LISTED
Montreal Stock Exchange
Toronto Stock Exchange
Vancouver Stock Exchange

AUDITORS
Price Waterhouse & Co.
Vancouver, B.C.

BANKERS
The Bank of Nova Scotia
Vancouver, B.C.

SOLICITORS
Douglas, Symes & Brissenden
Vancouver, B.C.

Aird, Zimmerman & Berlis
Toronto, Ontario

BRALORNE RESOURCES LIMITED

DIRECTORS

Arthur F. Armstrong, *Vancouver, British Columbia*
Chairman of the Board, Scott Paper Limited

*__Douglas A. Berlis,__ *Q.C., Toronto, Ontario*
Senior Partner, Aird, Zimmerman & Berlis

*__F. William Fitzpatrick,__ *Vancouver, British Columbia*
President, Bralorne Resources Limited

Pemberton Hutchinson, *Billings, Montana*
President, Westmoreland Resources

*__John L. Kemmerer, Jr.,__ *New York, New York*
President, The Kemmerer Corporation

E. B. Leisenring, Jr., *Philadelphia, Pennsylvania*
President, Penn Virginia Corporation

Clifford S. Malone, *Montreal, Quebec*
President, Canron Limited

*__Paul Porzelt,__ *New York, New York*
Chairman of the Board, Bralorne Resources Limited

Malcolm D. Richardson, *Toronto, Ontario*
Consultant, Reed Shaw Stenhouse Limited

**Member, Executive Committee*

OFFICERS

Paul Porzelt, *Chairman of the Board*

F. William Fitzpatrick, *President and Chief Executive Officer*

Douglas A. Berlis, *Q.C., Vice President*

John R. Croll, *C.A., Vice President, Finance and Administration*

Norman C. Croome, *P.Eng., Vice President and General Manager, Mining Division*

Harry Dernick, *P.Eng., Vice President and General Manager, Oil and Gas Division*

P. Stuart Grant, *P.Eng., Vice President and General Manager, Barber Group*

Peter G. Wiseman, *Secretary*

Paul N. Toogood, *C.A., Comptroller*

REGISTERED OFFICE

1005 Two Bentall Centre
555 Burrard Street, Vancouver, B.C. V7X 1H9

DIVISIONS

Barber Industries, Calgary, Alberta
P. Stuart Grant, *General Manager*

Bruce Rome Construction, Dawson Creek, B.C.
Clifford A. Skaar, *General Manager*

Crown Caterers, Edmonton, Alberta
Donald H. Claughton, *President*

Mining Division, Vancouver, B.C.
Norman C. Croome, *General Manager*

Oil and Gas Division, Calgary, Alberta
Harry Dernick, *General Manager*

OPERATING SUBSIDIARY COMPANIES

Bralorne Exploration (U.K.) Limited
Bralorne Exploration (Ireland) Limited
Bralorne International Inc.
Engineered Oil Controls Ltd.

To the Shareholders:

Due in large measure to a relatively strong fourth quarter, total cash flow from operations in 1973 at $1,487,872 or 29.9¢ per share was 12% higher than the $1,328,282 or 27.4¢ per share result of the previous year. Net earnings of $2,261,612 or 45.5¢ per share, including extraordinary items amounting to $1,729,333 were well above the comparable $639,103 or 13.2¢ per share 1972 result. We particularly draw your attention to the financial review section of this report for details of the change in accounting principle for deferred taxes which has had a material bearing on the determination of the net earnings figure.

1973 was a mixed year for the Company. On the downside the decision to suspend operations at the Bradina Joint Venture was taken reluctantly but, clearly, it was necessary to avoid a serious deterioration in the financing base of the Company. Appropriate provisions have been made to cover the matter and while its final disposition awaits results of a drilling program currently in progress, it can be reported to you that the write-offs taken are sufficient to cover all contingencies.

The circumstances of the Bradina venture tended to obscure several positive happenings, particularly in the second half of the year, which

Board of Directors of Bralorne Resources Limited

Arthur F. Armstrong E. B. Leisenring, Jr. Pemberton Hutchinson Clifford S. Malone Malcolm D. Richardson John L. Kemmerer, Jr.

Douglas A. Berlis Paul Porzelt F. William Fitzpatrick

will have a significant impact on the direction and growth rate of the Company in both the short and longer term future.

Firstly, there was the sale of the Company's minority interest in Bracell Petroleums Limited at mid-year which accomplished two things: most importantly, it provided the Company with a nucleus of proven petroleum executives around which our own oil and gas thrust could be developed; and the cash realized on the sale materially strengthened the Company's financial base and, consequently, its capacity to expand its direct investment in resource properties on a world-wide basis.

The initial effect of this investment program is reflected in the year-end balance sheet. In the second half of the year $1,833,000 has been expended acquiring oil and gas interests in Canada, onshore and in the waters surrounding the United Kingdom, and offshore Ireland, Netherlands, and United States. More specific details on these investments are contained in the body of this report. In addition, $1,154,000 has been spent in the second half on mining properties, primarily the Bralorne gold mine. Initial cash flow from these investments is not expected before 1975.

The level of these investments underscores the emphasis the Company is now putting on the expansion of its natural resource holdings, primarily oil and gas, and gold.

This by no means infers a de-emphasis of the Company's involvement in oil and gas support activities. Our industrial divisions, particularly Barber Industries, finished the year on a strong note and unless slowed by supply problems will show further gains in 1974. In addition to expanding existing businesses as required, the Company's strategy continues to be to broaden its base of industrial activities wherever profitable opportunities are found to serve in the hunt for energy.

In terms of current economic climate, we believe our Company has excellent growth potential in both gold mining in British Columbia and in the search for expanded energy sources throughout North America and the world. However, we are concerned about the possible short term effects of government activities on our growth rate in Canada.

At the time of writing, the British Columbia Government has introduced legislation which, if enacted and supplemented as indicated, would introduce new mining taxes which are so onerous as to possibly force deferral of current plans for further exploration on the Bralorne gold mine. Discussions have been held with the government on this matter and a formal request for relief has been made. We are currently awaiting a response to our proposal. Furthermore the new tax proposal, if not significantly amended, would dispel any hope of re-activating the Bradina Joint Venture mine. More detail on the substance of this potential tax is contained on page 10 of this report.

We believe that the Bralorne mine has great potential, particularly at gold prices above $150 an ounce but, while we are hopeful that current negotiations will be successful, it would be the Company's intention to suspend exploration activity at this time if appropriate relief from these potential taxes is not forthcoming. Such intent has been communicated to the government.

In respect to energy, the Canadian oil and gas industry is in a complete quandary at present regarding the level of provincial and federal government participation in recent price increases for both oil and gas. Until this matter is clarified, the expected growth in energy exploration activity will be deferred. Events of the past winter have clearly demonstrated the need for an expanded energy exploration effort in both Canada and the United States, and we are hopeful that all levels of government will soon come to appreciate that the principal stumbling block at this time is the governments themselves. Given a reasonable incentive and some consistency in the rules of the game, there is no doubt that private industry can get the job done.

Mr. Malcolm Richardson will be retiring from the Board of Directors at the forthcoming annual meeting and his fellow directors wish to express their appreciation of the contribution he has made to the Company for the past eleven years.

All other directors will be standing for re-election at the annual meeting and, in addition, Mr. Harry Dernick, Vice President and General Manager, Oil and Gas Division, and Mr. P. S. Grant, Vice President and General Manager, Barber Group, will be proposed for election to the Board.

Your directors look forward to a challenging and prosperous 1974 and wish to extend their appreciation to all employees of the Company for their continued support and efforts.

On behalf of the Board,

Paul Porzelt
Chairman

F. W. Fitzpatrick
President

March 7, 1974

FINANCIAL REVIEW

The financial results for the year 1973 are presented in the accompanying consolidated balance sheet and statements of earnings and source and disposition of working capital. Net earnings of $2,261,612 or 45.5¢ per share, are compared with 1972 results of $639,103 or 13.2¢ per share. The material improvement in net earnings is attributable to extraordinary items.

Operating revenues from the principal divisions for 1973, with 1972 comparisons, are as follows:

	1973	1972	% Change
Barber Industries	$10,306,000	$ 9,344,000	+ 10.3
Crown Caterers	6,175,000	5,251,000	+ 17.6
Bruce Rome Construction	1,334,000	1,435,000	— 7.0
	$17,815,000	$16,030,000	+ 11.1

During the year two major events occurred which resulted in extraordinary adjustment to the earnings for the period. In accordance with its corporate aims, Bralorne sold its interest in Bracell Petroleums Limited at a profit of $3,916,477 before providing for deferred income taxes. Also, during the year your Company was obliged to suspend operations at the Bradina Joint Venture and, because of the uncertainties regarding the possibilities of reactivation, it was decided that full provision should be made for losses on investments and expenditures in connection with the project. Accordingly a write-down of $3,404,611 was effected to show the residual values on the estimated realizable proceeds on complete termination of our interest. After providing for deferred income taxes with respect to these two extraordinary items the net gain on the sale of Bracell was $3,541,612, and the net loss on the Bradina Joint Venture was $1,812,279.

In our annual report for 1972 shareholders were advised that the Management of the Company was of the opinion that deferred income tax allocation was not appropriate in reporting the financial results of Bralorne's activities. This matter has been the subject of much controversy in Canada and resistance to the principle of a provision for deferred taxes by many companies in the extractive industries. The reluctance to make such a provision is based on the concept that the rate of expansion in exploration expenditures precludes any provision for future taxes being applicable within a reasonably foreseeable period of time. However, the Canadian Institute of Chartered Accountants has recommended that all companies should provide for timing differences in respect of income tax determinations and the Securities Commissions in Canada have adopted a policy that companies filing with the Commissions must observe the C.I.C.A. recommendations. In order to avoid any disruption of relations with the stock exchanges on which shares of the Company are listed, the earnings statement has been prepared in conformity with those recommendations.

In the accompanying statement of earnings, the results for 1972 have been restated to conform with this requirement and to permit comparison with the 1973 results which also reflect provision for deferred taxes. In this connection it should be noted that the deferred taxes with respect to the extraordinary items have been applied against them to show the net result of the extraordinary circumstances.

The Management of your Company continues to believe that this accounting policy is not appropriate and suggests to its shareholders that cash flow from operations and net earnings after provision for current taxes are the more meaningful measures of the Company's operating performance. Your attention is directed to the summary of cash flow and net earnings table which accompanies this review for the comparative results.

The working capital of the Company improved very significantly during the year, increasing from $1,966,483 to $4,901,795, after provision for repayment of $1,000,000 of long-term debt, and expenditure of $2,987,000 on oil and gas and mining interests. As a result of this strong working capital position the Company is not currently using its existing $2,500,000 line of operating credit with its bank.

Summary of Cash Flow and Net Earnings

	1973	1972	1971	1970	1969
Cash Flow from Operations	$1,487,872	$1,328,282	$255,236	$527,434	$632,811
Per Share	29.9¢	27.4¢	5.3¢	10.9¢	13.0¢
Net Earnings from Operations					
Before Deferred Taxes	$1,016,421	$ 990,370	$195,425	$ (66,284)	$ 64,031
Per Share	20.4¢	20.4¢	4.0¢	(1.4¢)	1.3¢
After Deferred Taxes	$ 532,279	$ 639,103	$151,425	$ (21,284)	$ 24,031
Per Share	10.7¢	13.2¢	3.1¢	(0.4¢)	0.5¢
Net Earnings including Extraordinary Items					
Before Deferred Taxes	$1,528,287	$ 990,370	$195,425	$ (66,284)	$ 64,031
Per Share	30.7¢	20.4¢	4.0¢	(1.4¢)	1.3¢
After Deferred Taxes	$2,261,612	$ 639,103	$151,425	((21,284)	$ 24,031
Per Share	45.5¢	13.2¢	3.1¢	(0.4¢)	0.5¢

OIL AND GAS EXPLORATION

Harry Dernick.

At the end of June, 1973, the Company disposed of its equity position in Bracell Petroleums Limited.

On July 1, 1973, Bralorne established an Oil and Gas Division with offices in Calgary, Alberta, under the direction of Harry Dernick, former President and Chief Executive Officer of Bracell Petroleums Limited. A number of other key Bracell employees comprise the balance of the staff of the newly formed Oil and Gas Division.

Shortly afterwards the Company acquired from Bracell Petroleums Limited, for $878,000, that company's foreign holdings involving petroleum and natural gas rights located in England, the Netherlands North Sea, the Celtic Sea, and off the shores of Ireland.

Subsidiary companies Bralorne Exploration (U.K.) Limited, Bralorne Exploration (Ireland) Limited and Bralorne International Inc., an American company, have been incorporated to hold leases and licences in the various jurisdictions.

Domestic

Several attractive geological prospects were developed in the Provinces of Alberta and Saskatchewan. A concerted effort was made to acquire, by farmin or by purchase, petroleum and natural gas leases over the areas of interest. It is anticipated that the initial work carried out on these prospects during the year will result in a number of interesting wells, both wildcat and development, being drilled early in 1974.

Acreage leased to date in Alberta is 12,320 gross (8,400 net) and in Saskatchewan is 20,197 gross and net. In addition options are held on 51,520 gross acres (27,355 net) in Alberta and 48,160 gross acres (24,080 net) in Saskatchewan.

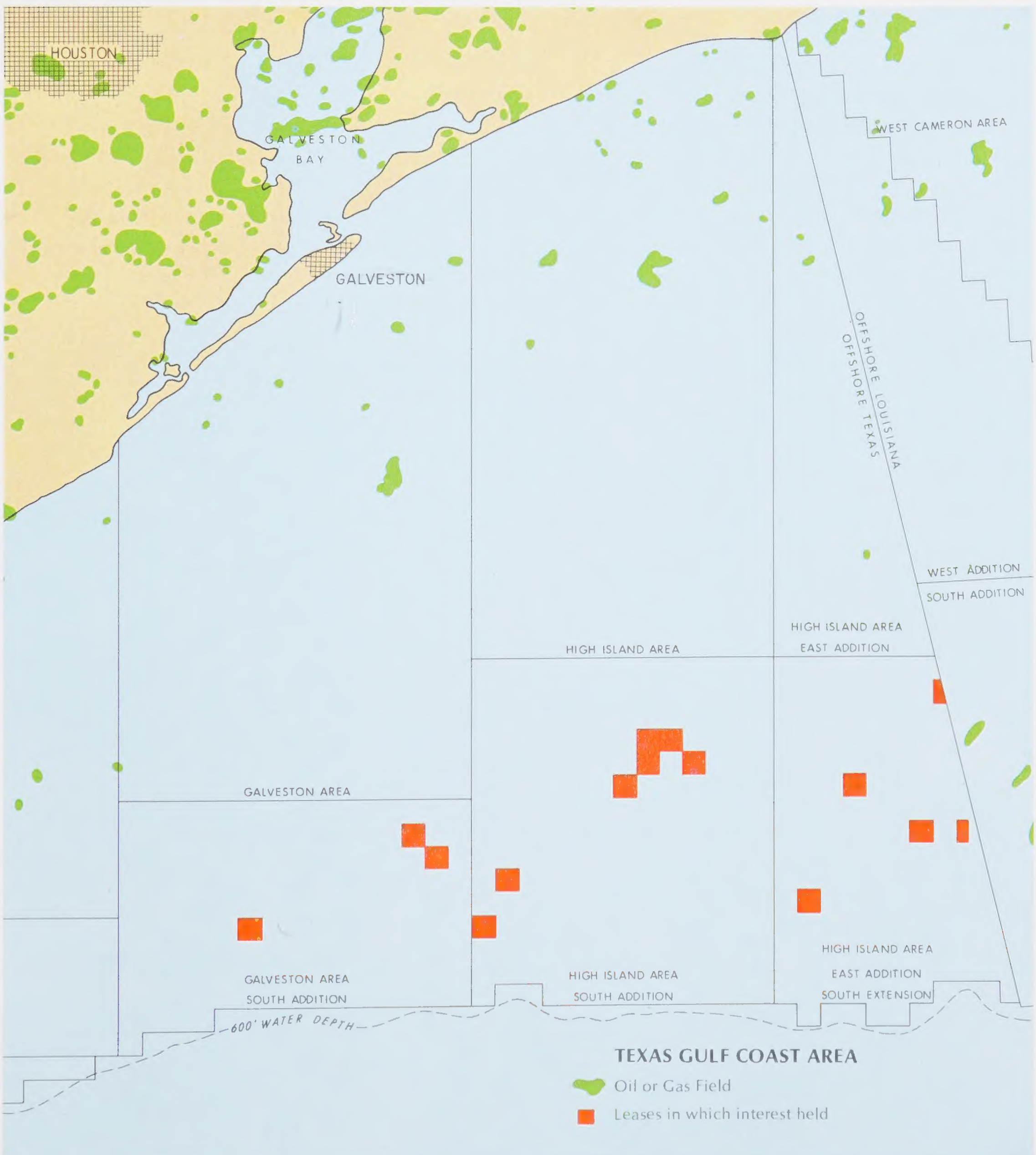
Acreage Inventory — March, 1974

Area	Leases		Licences/Options	
	Gross	Net	Gross	Net
Alberta	12,320	8,400	51,520	27,355
Saskatchewan	20,197	20,197	48,160	24,080
Gulf Coast, Texas Offshore	80,671	807	—	—
United Kingdom	—	—	621,758	525,088
Celtic Sea	—	—	64,181	10,487
Offshore Ireland	—	—	Non-Exclusive Prospecting Licence	
Netherlands North Sea	—	—	52,386	7,858
Total	113,188	29,404	838,005	594,868

International

United States

One of the most significant acreage acquisitions took place in the offshore Texas area of the Gulf Coast. The Company acquired a 1% interest in approximately 80,671 acres of Federal Petroleum and Natural Gas Leases originally obtained from the United States Government by a group of major companies, comprising Kerr-McGee Corporation, Felmont Oil Corporation, Case-Pomeroy Oil Corporation, and Cabot Corporation, in June, 1973 at an approximate cost of $60,000,000. As a result of a subsequent farmout entered into by the original lessees, $10,000,000 of exploratory drilling will be carried out on the leases at no further cost to the Company. Results to date have been encouraging and exploratory drilling continues.



United Kingdom

Production and Exploration Licences covering a total of 621,758 gross acres, representing 525,088 net acres, are held in the general Reading area of southern England. As a result of delays encountered in obtaining the necessary planning and surface approvals, the contemplated 1973 drilling program was postponed. Final approvals have now been obtained and the initial exploratory well is currently being drilled. It has been reported that an important onshore discovery has recently been made by British Gas Corporation/BP Petroleum Development in the Kimmeridge area on the south coast of England, about 60 miles southwest of the Company's initial test. It is understood four pay zones were tested and the two best zones together tested about 1,000 barrels per day.

The Company holds an undivided 16 1/3% interest in a Production Licence comprising 64,181 acres in the Celtic Sea. Geophysical surveys carried out over this licence indicate a significant drillable feature. It is understood that there will be between eighteen to twenty exploratory tests drilled in this area by other operators over the next few years and the results obtained by them will be of considerable significance in planning future exploration.

Republic of Ireland

The Company participates in a consortium which will make application for Exclusive Exploration Licences as soon as the Government of the Republic of Ireland is prepared to issue them. This consortium, in which the Company holds a 10% interest, has been in operation for two years. It is headed by Forest Oil Ireland Corporation and also includes Fitzwilliam Resources Limited, Intercontinental Energy (Ireland) Limited and Summit Energy (Ireland) Ltd. To date, a total of 6,800 miles of seismic line has been reviewed and analyzed by the consortium working under a non-exclusive licence.

Netherlands North Sea

The Company holds a 15% working interest in a consortium which owns a Prospecting Licence located in the Netherlands sector of the North Sea. This licence contains 52,386 acres. Initial geophysics have indicated a drillable anomaly. Additional detailed seismic is planned in the near future.

MINING EXPLORATION

In August 1973 Mr. N. C. Croome was appointed Vice President and General Manager of the Company's Mining Division and assumed responsibility for all mining activities. Mr. Croome has more than 25 years' experience in hard rock mining and exploration in North and South America.

Norman C. Croome.

Bralorne Mine — Gold

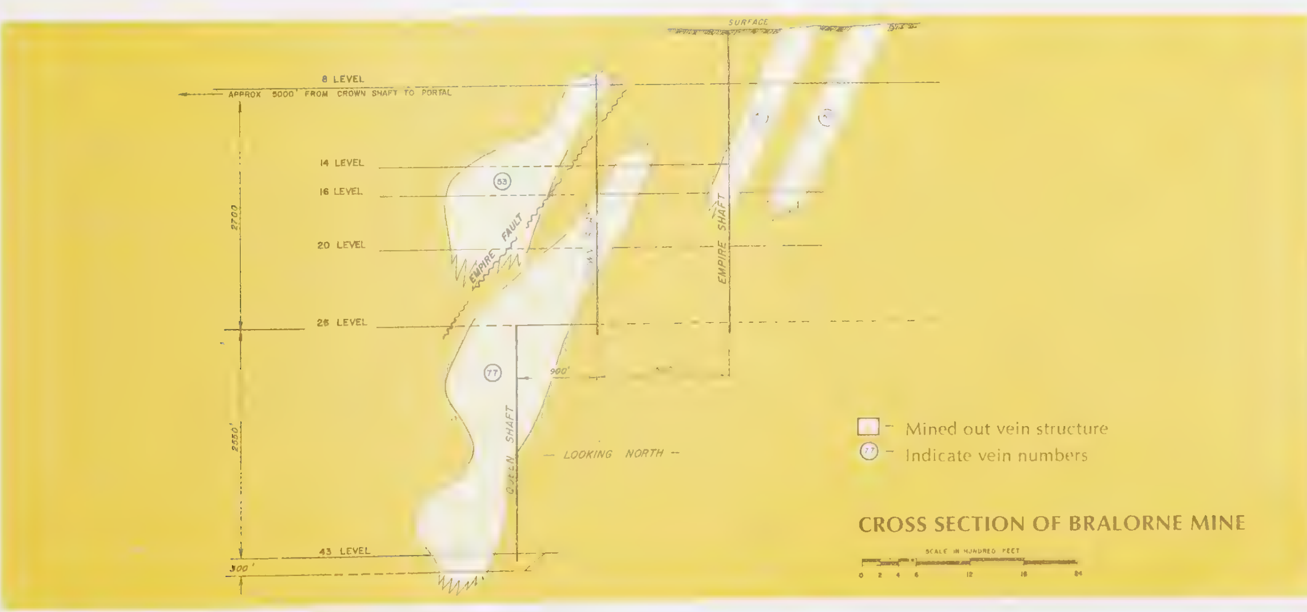
Early in 1973 the rapid escalation in the price of gold led to a decision to re-evaluate the Bralorne and Pioneer gold mines which were closed in the fall of 1971 after 39 years of operation, during which time 4,130,000 ounces of gold were produced.

A $1,000,000 first phase rehabilitation and preliminary exploration program was carried out in the last half of 1973. This involved a major overhaul of the Crown hoist and shaft as well as the re-installation of electrical circuits and controls. Access was established to the 26, or 4100 foot level, an initial 8,890 feet of diamond drilling was carried out, and a detailed re-assessment of economically accessible reserves above the 4100 foot level was completed.

Using a $150 per ounce price for gold, it has been determined that 210,000 tons of the 450,000 tons of old reserves above the 4100 foot level are economically accessible at this time. This reserve, with an average mine grade after dilution of 0.29 ounce gold per ton, while constituting a strong supplementary production base, is only marginally adequate to justify a decision to rehabilitate surface milling facilities.

The Board of Directors has approved the expenditure of a further $700,000 for a second phase exploration program aimed at drifting to explore the favourable diamond drill intersections encountered in the first phase program and cross-cutting some 3,000 feet to the 52 vein structure from which previous production on the 20, or 3500 foot level had yielded better than 0.5 ounce gold per ton. The objective is to develop the downward extension of that structure, hopefully resulting in sufficient additional reserves to ensure the success of the overall project.

The design of the second phase program has been completed and drifting on the 22 and 25 levels to investigate drilling targets will start in late March 1974. The balance of the eight month program, in particular the examination of the 52 vein structure, will follow immediately if current discussions with the British Columbia Government in respect to potential additional mining taxes are favourably concluded.



CROSS SECTION OF BRALORNE MINE

In summary, the proposed tax structure would establish base average metal prices received by producers for the preceding five years. A tax of 5% would be applied on the value of production at the mine before deducting mining, processing, and other costs and in the event that the price received exceeded 120% of the base price, an additional tax of 50% would be applied to the revenue generated by the "excess" element of the price.

The Company's position is that the 5% tax is onerous in its own right but the "excess" element is prohibitive particularly if the government ignores the artificially depressed price of gold prior to 1973 in determining the base price. It is the Company's contention that there should be no "excess" tax application on gold production or, if one is implemented, the base price used should be not less than $150 per ounce.

Bradina Joint Venture — Zinc — Silver — Copper

Despite a continued rise in metal prices, the mine at Houston, British Columbia was unable to progress to the point where a return on capital was being obtained. Poor wall conditions, high turnover and shortage of labour, and the lack of encouraging results from exploration for additional ore led to a decision, made in consultation with outside specialists, to suspend operations at the end of August.

It is now planned to undertake a program of diamond drilling to explore for possible extension of the ore below the present mine workings. The program is expected to be completed by the end of May 1974 and on the basis of the results obtained, a decision will be made either to reactivate the mine or to terminate the venture and dispose of the assets.

Kowkash, Ontario — Iron Ore

The mandatory advance annual royalty payment of $200,000 was received in accordance with the lease agreement described in Note 3(i) to the financial statements. Such payments continue until 1985 unless construction of production facilities commences before that time. The Algoma Steel Corporation, Limited which holds the lease on this property has indicated that it is unlikely that this property will be put into production before 1980.

Other Mining Exploration Projects

The Foster River uranium claims in Saskatchewan, in which a net 73.75% interest is now held, are in good standing until 1978 on the basis of work done in prior years, and no further work is planned in the immediate future.

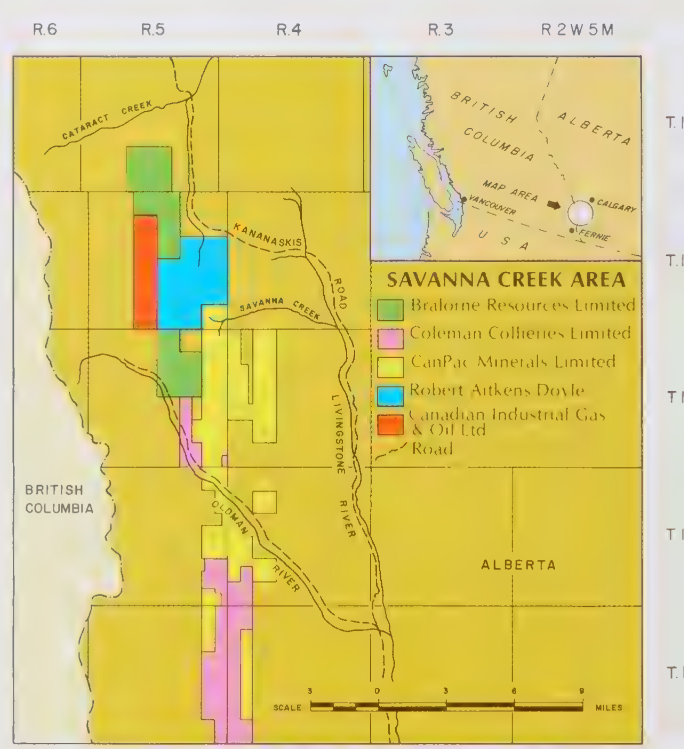
Due to the priority given to the Bralorne mine exploration program, it was not possible to carry out the planned program on the Gataga River area copper prospect in northern British Columbia, in which a net 71.25% interest is now held. Payment was made to the government in lieu of work on the claims which are now in good standing until March of 1975.

The field program on the claims optioned in the Robb Lake area of British Columbia did not produce encouraging results and no further work is planned.

Savanna Creek — Coal

As a result of the acquisition of the interest in the Can-Fer Exploration Syndicate formerly held by Bracell Petroleums Limited, your Company now has a net 73.75% interest in this coking coal property located about 66 miles southwest of Calgary, Alberta.

With the exception of reclamation, no further work was done on the property during 1973. The key to development continues to be improvement in markets and operating and transportation economics. With growing demand and rising prices for coking coal it appears to be only a matter of time before production from this property becomes economically feasible. Discussions are in progress with other operators in the area and potential consumers, aimed at bringing the property into production at the earliest possible date.



RESOURCE SUPPORT ACTIVITIES

Crown Caterers

Operating revenues of this division rose significantly in 1973 due primarily to increased activity and partly to unit price increases. Even with major price increases, earnings decreased modestly from 1972 levels due to labour and food costs escalating much faster than had been anticipated. 1974 margins are expected to recover somewhat, however they will continue under pressure as there has been no abatement in the food price spiral. The management of this division is exploring methods of alleviating this situation while maintaining a competitive price structure.

Level of activity during 1973 increased by 16% to a total of 409,600 man days served, with up to 122 camps in operation at the peak of the season. The centres of activity are in the Athabasca Tar Sands in Alberta and the Mackenzie Delta area of the Northwest Territories but camps are also located in the Arctic Islands and in the Yukon Territory, and the four western provinces of Canada. This division is primarily active in the winter months while major oil companies and others are able to carry out drilling and related operations.

A key to success in the industry is the ability to provide modern, well serviced camps so that personnel are comfortably housed, well fed and have access to recreational facilities. This is particularly important in remote areas and with this in mind substantial investments were made in 1973 for equipment. These included such features as air conditioning and improved utilities in many camps.

Crown Caterers is a leader in its field and is committed to maintain its position of prominence in the ever accelerating development of energy and other natural resources in western and northern Canada.

Crown camp in the Athabasca Tar Sands.

Bruce Rome Construction

The principal activities of this division continue to be seismic line cutting and road building primarily in north eastern British Columbia. The nature of the terrain is such that line cutting activities must chiefly be carried out during the winter season when frozen ground and water provide the necessary support for heavy equipment. All available equipment including crawler tractors, graders, scrapers and trucks is in use at the peak of the season, with major overhauls being carried out during the summer months.

At the end of the year, this division resumed the hauling of copper ore from the former Churchill copper mine to the concentrator, a distance of some twelve miles. An average of 500 tons is hauled daily. The contract previously in effect had been terminated when the mine was closed due to low world copper prices.

Some problems were experienced in obtaining sufficient skilled labour, but despite a small decline in operating revenues compared to 1972, earnings were maintained.

Eagle Industries Limited

Early in 1973 Eagle Industries Limited embarked on a program to own and operate tugs and barges in the Mackenzie River system and Delta. Orders were placed for 2 tugs and 4 barges, to permit operation for the 1973 season. Prior to the commencement of actual operation, your Company received and accepted an offer for its shares of Eagle Industries Limited. The sale of this interest, in addition to providing immediate gain, reduced the demands on the Company's working capital thus making additional funds available for acceleration of the Bralorne gold mine exploration program and expansion of the Oil and Gas Division which was established at mid-year.

Barber Industries

In 1973 the Barber Industries group enjoyed a 10.3% increase in sales with a corresponding increase in profits. Sales were related to Barber's traditional role in the petroleum industry but also included growth in the mining products line, steel pole systems and other products. They concluded the year with a healthy backlog of orders in all lines of activity.

Barber Industries has been supplying equipment and service to oil exploration and development activities since before the discovery of the Leduc field in 1947. Its manufacturing and maintenance facilities in Calgary and Edmonton have enabled it to provide continuing sales and service as the Canadian oil scene has developed in all directions from the heart of Alberta. Barber wellhead equipment is now operating as far north as King Christian Island and in all extremes of pressure and climate, and is serviced on site by Barber personnel. Wellhead equipment is part of a broad product line that includes safety devices on drilling rigs and controls for oil and gas production.

The long and still growing association with the petroleum industry has placed Barber in a key position to support the new major thrust, extracting the energy trapped within the tar sands. Barber equipment is already in use at a huge project in the Athabasca Tar Sands north of Edmonton and with the advent of another multi billion dollar development Barber staff and technology will be ready to meet the challenge.

Drillarctic Rig No. 1 in the High Arctic utilizes 5000 P.S.I. Barber wellhead equipment.

Barber 20" slip seal head being assembled on Dome Petroleum Limited well on King Christian Island.

The Warner Swasey SC-25 N/C Lathe in the Edmonton plant machining wellhead components.

The demand for coal, the traditional source of energy, has been renewed as other forms of energy are in short supply and more expensive. This is providing opportunities for increased sales of mining products which are also used in metal mines in western Canada.

The involvement of Barber Industries with energy is close and direct. In Alberta and the north the numerous giant projects in the oil, gas, tar sands and coal industries will require significant growth of the Calgary and Edmonton plants. Additional equipment will be required to keep pace with market demands. With this need in mind an automatic high speed production lathe was installed in the Edmonton plant in 1973.

Barber's export program continues to thrive and progress according to long range plans for world market penetration. Barber personnel have participated in missions to the Peoples Republic of China, Indonesia, Singapore, India and other South East Asian countries.

Barber products and personnel enjoy a high regard in the industries which they service and their potential for growth will match that of the great future for energy and other resource development.

Formation acidising equipment manufactured for Nowsco Well Service Ltd. by the Calgary division, eight units were supplied in 1973.

The Edmonton plant welding facility, fabricating eight ladles for the Stelco Steel mill expansion.

Drill steel for the mining industry, a Barber product gaining a good performance record in western Canada.

Pole systems by Barber.

BRALORNE
RESOURCES
LIMITED

CONSOLIDATED BALANCE SHEET

ASSETS

	December 31	
	1973	1972
Current assets:		
Cash and term bank deposits	$ 922,407	$ 285,732
Accounts receivable—		
Trade	4,021,792	3,220,804
Other	1,380,045	363,687
Marketable securities, at cost, quoted market value $93,938; 1972 — $136,685	86,970	155,196
Amount recoverable from oil production	—	250,091
Inventories, consisting principally of raw materials, stores and supplies, at the lower of cost and net realizable value	2,121,332	1,627,818
Prepaid expenses and other assets	119,703	137,362
	8,652,249	6,040,690
Investments and advances:		
Bracell Petroleums Limited	—	2,175,899
Bradina Joint Venture	200,000	3,504,568
Long-term receivable	700,000	875,000
Sundry investments and advances	521,095	69,318
	1,421,095	6,624,785
Property, plant and equipment:		
Oil and gas interests, at cost	1,832,581	—
Mining interests, at cost	1,919,968	806,198
Other property, plant and equipment	5,476,896	5,095,061
	9,229,445	5,901,259
Unallocated cost of acquisitions	1,016,013	1,017,084
	$20,318,802	$19,583,818

SIGNED ON BEHALF OF THE BOARD:

Paul Porzelt, Director

F. W. Fitzpatrick, Director

See notes to financial statements, including Note 5 relating to restatement of 1972 figures.

LIABILITIES

	December 31 1973	December 31 1972
Current liabilities:		
Bank loans	$ —	$ 2,081,089
Accounts payable and accrued liabilities	2,583,465	1,659,989
Income taxes payable	4,704	268,628
Long-term debt due within one year	1,162,285	64,501
	3,750,454	4,074,207
Long-term debt	5,641,684	6,618,591
Deferred income taxes	119,862	784,480
	9,512,000	11,477,278

SHAREHOLDERS' EQUITY

	1973	1972
Share capital:		
Authorized — 7,500,000 shares of no par value		
Issued — 5,066,710 shares (1972 — 4,851,710 shares)	6,369,078	5,930,428
Retained earnings	4,437,724	2,176,112
	10,806,802	8,106,540
	$20,318,802	$19,583,818

AUDITORS' REPORT

To the Shareholders of Bralorne Resources Limited:

We have examined the consolidated balance sheets of Bralorne Resources Limited as at December 31, 1973 and 1972 and the consolidated statements of earnings and retained earnings and source and disposition of working capital for the years then ended. Our examinations included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the Company and its subsidiaries as at December 31, 1973 and 1972 and the results of their operations and the source and disposition of their working capital for the years then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the adoption of tax allocation accounting and the change in the method of providing for depreciation as referred to in Note 5, on a consistent basis.

In accordance with Section 212 of the British Columbia Companies Act we report that, in our opinion, no provision for minority interests is required.

Vancouver, B.C.
March 11, 1974

Price Waterhouse & Co.
Chartered Accountants

BRALORNE
RESOURCES
LIMITED

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

	Year ended December 31 1973	1972
Revenues:		
Sales of products and services	**$17,815,780**	$16,030,467
Interest	**218,646**	350,225
Royalty income	**200,000**	200,000
Oil production revenue	**250,091**	199,909
Management charges to others	**139,137**	205,043
Increase in share of retained earnings of Bracell Petroleums Limited	**—**	82,671
Gain on sale of Eagle Industries Limited	**100,000**	—
Other income	**117,869**	154,282
	18,841,523	17,222,597
Costs and expenses:		
Cost of sales and services	**14,122,417**	12,780,243
Selling, general and administrative	**2,497,693**	2,160,959
Interest on long-term debt	**406,684**	324,860
Other interest	**74,883**	111,524
Depreciation	**443,584**	426,749
Amortization of oil payment	**250,091**	199,909
Mining exploration	**14,790**	18,756
	17,810,142	16,023,000
Earnings before income taxes and extraordinary items	**1,031,381**	1,199,597
Income taxes:		
Current	**14,960**	209,227
Deferred	**484,142**	351,267
	499,102	560,494
Earnings before extraordinary items	**532,279**	639,103
Extraordinary items:		
Gain on sale of investment in Bracell Petroleums Limited, net of deferred income taxes of $374,865	**3,541,612**	—
Estimated loss on investment in Bradina Joint Venture, net of deferred income taxes of $1,592,332	**1,812,279**	—
	1,729,333	—
Earnings for the year	**2,261,612**	639,103
Retained earnings, beginning of year, as restated	**2,176,112**	1,616,250
Incorporation and organization costs of subsidiaries written off	**—**	(79,241)
Retained earnings, end of year	**$ 4,437,724**	$ 2,176,112
Earnings per share calculated on the average number of shares outstanding:		
Earnings before extraordinary items	**10.7¢**	13.2¢
Extraordinary items	**34.8¢**	—
Net earnings	**45.5¢**	13.2¢

See notes to financial statements, including Note 5 relating to restatement of 1972 figures.

CONSOLIDATED STATEMENT OF SOURCE AND DISPOSITION OF WORKING CAPITAL

	Year ended December 31 1973	1972
Source of working capital:		
From operations —		
Earnings before extraordinary items	$ 532,279	$ 639,103
Items not affecting working capital:		
Depreciation	443,584	426,749
Deferred income taxes	484,142	351,267
Increase in share of retained earnings of Bracell Petroleums Limited	—	(82,671)
Other	27,867	(6,166)
Cash flow from operations	1,487,872	1,328,282
Proceeds from disposals —		
Investment in Bracell Petroleums Limited	6,092,376	—
Subsidiaries, sundry investments and advances	—	275,237
Property, plant and equipment	334,892	350,038
Instalment on long-term receivable	175,000	175,000
Share capital issued	438,650	—
Other	1,028	218,653
	8,529,818	2,347,210
Disposition of working capital:		
Oil and gas interests	1,832,581	—
Mining interests	1,153,530	147,628
Other property, plant and equipment	1,179,711	747,689
Investment in subsidiary companies, including tax of $171,467 on 1972 corporate reorganization	—	498,302
Investment in Bradina Joint Venture	—	2,179,626
Reduction in long-term debt, excluding in 1972 amount relating to subsidiaries sold	976,907	168,801
Increase in sundry investments and advances	451,777	—
	5,594,506	3,742,046
Increase (decrease) in working capital	2,935,312	(1,394,836)
Working capital, beginning of year	1,966,483	3,361,319
Working capital, end of year	$4,901,795	$1,966,483

See notes to financial statements, including Note 5 relating to restatements of 1972 figures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1973

1. Accounting policies:

(i) Principles of consolidation —

The consolidated financial statements include the following operating divisions and subsidiaries of Bralorne Resources Limited:

Barber Industries
Bruce Rome Construction
Crown Caterers
Mining and Exploration
Oil and Gas
Bralorne Exploration (Ireland) Limited
Bralorne Exploration (U.K.) Limited
Bralorne International Inc.
Engineered Oil Controls Ltd.

In 1972 the consolidated financial statements also included Eagle Industries Limited. The operations of this company in 1973 prior to its sale in August were not significant and have not been included in the consolidation. Certain inactive subsidiaries referred to in Note 9 have no effect on the consolidated results of operations and investments therein have been fully reserved for or are eliminated in consolidation.

(ii) Foreign currency translation —

Items recorded in foreign currencies are expressed in Canadian dollars as follows:

Current assets and liabilities, at the rate of exchange on December 31 and oil and gas interests at historical rates of exchange.

(iii) Depreciation, depletion and amortization —

Oil and gas operations are considered to be in the exploration stage and all costs incurred to date, including acquisition, exploration, retention and administration, have been capitalized as part of the carrying value of oil and gas interests.

The cost of oil production purchased has been amortized at the rate of recovery from production.

Exploration expenditures on mining properties continuing under examination are deferred and will be amortized against production revenue from the relevant properties or written off upon cessation of interest therein.

Depreciation of plant and equipment is provided for over the useful life of the assets on the straight-line basis. Expenditures for repairs and maintenance are charged to operating expenses. Betterments and major renewals are capitalized. Gains or losses on retirement or disposal of plant and equipment are recorded in the year of disposal.

(iv) Unallocated cost of acquisitions —

In the opinion of management no amortization of the unallocated cost of acquisitions is required at this time.

(v) Income taxes —

The companies follow tax allocation accounting.

2. Investment in Bradina Joint Venture:

The Bradina Joint Venture commenced operation in March 1972 and continued on a preproduction basis until December of that year. In January 1973 the project was deemed to be on a commercially productive basis but, due to technical and labour difficulties, operations were suspended in August 1973. All ore mined was processed and the concentrate production sold during and subsequent to that period, with a final concentrate shipment being made in February 1974. All investment costs and related expenditures of Bralorne in connection with the project have been written down at December 31, 1973 to the net amount expected to be realized on termination of its interest. In summary, the net write-off was comprised of the following related costs:

Contributions for capital expenditures, preproduction, etc.	$3,504,568
Other expenditures associated with the properties	100,043
Total	3,604,611
Less estimated residual values to be recovered after allowing for a minimum additional exploration program, reclamation commitments and terminating costs	200,000
Amount written off	3,404,611
Deferred income taxes	1,592,332
Net extraordinary charge	$1,812,279

3. Property, plant and equipment:

(i) Certain mining properties have been leased to The Algoma Steel Corporation, Limited for a period of ninety-nine years from 1965, with options to renew. The agreement provides for an advance annual royalty of $200,000 for a maximum period of 20 years or until the date of the first shipment of iron ore pellets from the mining properties. When the properties come into production the annual royalty shall not be less than $350,000. The advance annual royalty has been recorded as income but provision for depletion of the cost of $203,255 for the mining properties has not been made since no ore has yet been produced.

(ii) Other property, plant and equipment includes costs of $2,442,110 relating to acquisition of subsidiaries in excess of the values of such assets on the books of the subsidiaries at December 31, 1971 (date of acquisition). The amount which relates to depreciable assets ($1,973,355) is being amortized over the estimated useful lives of the assets. The annual charge for depreciation in each of 1973 and 1972 includes an amount of $166,319 in respect of such costs, which amount is not an allowable expense for income tax purposes.

	1973			1972
	Cost	Accumulated depreciation	Net	Net
Barber Industries (Land — $517,200)	$4,291,960	$1,360,064	$2,931,896	$2,868,294
Bruce Rome Construction	1,500,117	411,258	1,088,859	1,026,119
Crown Caterers	1,729,064	414,418	1,314,646	1,078,946
Other (Land — $44,260)	199,855	58,360	141,495	121,702
	$7,720,996	$2,244,100	$5,476,896	$5,095,061

4. Long-term debt and commitments:

	1973	1972
Term bank loan	$4,000,000	$4,000,000
Deferred purchase consideration on acquisition of subsidiaries —		
Barber Machinery Co. Limited and Engineered Oil Controls Ltd.	875,000	875,000
Eagle Industries Limited	1,337,850	1,337,850
Other secured liabilities	591,119	470,242
	6,803,969	6,683,092
Less: Amount due within one year	1,162,285	64,501
	$5,641,684	$6,618,591

The bank loan bears interest at 1-1/2% above prime rate and is repayable as to $800,000 in July 1974 and thereafter in quarterly instalments of $200,000. As security for the loan and an available operating line of credit of $2,500,000, the company has issued a debenture for $6,500,000 providing a first fixed charge over certain assets of the companies including real estate (subject

only to an existing mortgage), and the long-term receivable and a floating charge over all other assets of the companies.

On acquisition of Barber Machinery Co. Limited and Engineered Oil Controls Ltd. payment of $875,000 of the purchase consideration was deferred and is payable in 1977. This amount is subject to upward adjustment to the extent that 1.3 times the average combined earnings before interest and income taxes of Barber and Engineered Oil Controls for 1975 and 1976 exceed $875,000. This liability, including the indeterminate amount if any, is evidenced by debentures secured by a first floating charge upon the undertakings and assets of the company, but subordinate to security that may be created for purposes of any major financing.

On acquisition of Eagle Industries Limited payment of $1,337,850 of the purchase consideration was deferred to December 30, 1976. Certain shareholders, who constituted key management of the Eagle group, entered into employment contracts with Bralorne for a period of five years from January 1, 1972. In addition to remuneration at normal rates during this period, these shareholders will be entitled to receive payment, by February 28, 1977, of an amount calculated as 1.65 times the amount by which the average consolidated earnings before interest expense and income tax of Eagle for the years 1975 and 1976 exceeds similar consolidated earnings for the year ended October 31, 1970.

5. Changes in accounting principles:

In order to conform to policy requirements of the Ontario Securities Commission, the company and its subsidiaries have adopted tax allocation accounting on a retroactive basis.

In 1973 the company and its subsidiaries adopted on a retroactive basis the straight-line method of providing for depreciation over the estimated useful lives of depreciable assets. The effect of this change on 1973 earnings is not significant.

The changes referred to above resulted in changes to earnings and retained earnings previously reported as follows:

	Retained earnings January 1 1972	Earnings for 1972	Charge to retained earnings	Retained earnings December 31 1972
As previously reported	$1,599,250	$1,017,646	$(79,241)	$2,537,655
Provision for deferred income taxes	(17,000)	351,267	—	334,267
Increase in provision for depreciation	—	27,276	—	27,276
As restated	$1,616,250	$ 639,103	$(79,241)	$2,176,112

The reinstatement of tax allocation accounting required the recognition of deferred income taxes of acquired companies at dates of acquisition in the amount of $378,886 with a corresponding increase in the unallocated cost of acquisitions.

6. Incentive share subscription plan and incentive stock option plan:

In 1973 the company adopted an incentive share subscription plan. Shares available for this plan and the pre-existing incentive stock option plan shall not at any time exceed 5% of the aggregate number of shares in the capital of the company issued and outstanding, other than those issued under these plans. On the basis of the shares outstanding at December 31, 1973, 27,585 additional shares may be issued under the plans.

During 1973, on behalf of participants in the plan, the trustee purchased 215,000 treasury shares for a total consideration of $438,650. The shares are held by the trustee as security for promissory notes from the various participants, repayable in seven equal annual instalments commencing four years after the date of issue, without interest. In the event of default the trustee may sell the pledged shares remaining and apply the proceeds to the indebtedness but the participant will not be liable for any unpaid balance. Funds for the purchases were advanced to the trustee by the company and the amount is included in sundry investments and advances.

Options outstanding at December 31, 1972 to purchase shares in the company have been surrendered and no additional options have been granted.

7. Sales of products and services:

Barber Industries and Engineered Oil Controls Ltd. accounted for 58% of sales in 1973 and 1972. Crown Caterers accounted for 35% of sales in 1973 and 33% in 1972.

8. Remuneration of directors and senior officers:

The aggregate direct remuneration paid by the company to directors and senior officers for the year ended December 31, 1973 was $239,727 (1972 — $196,391).

9. Subsidiaries:

Bralorne Exploration (Ireland) Limited
Bralorne Exploration (U.K.) Limited
Bralorne International Inc.
Engineered Oil Controls Ltd.

Subsidiaries in voluntary liquidation, for which the assets and operations have been taken over by Bralorne:

Arctic Services Limited
Barber Machinery Co. Limited
Bruce Rome Construction Ltd.
Crown Caterers Co. Ltd.
Dix Construction Ltd.
Panther Holdings Ltd.
1005 Services Limited

Inactive subsidiaries, the investments in which are reserved for in full:

Bralorne Stores Limited
Bridge River Mines Free Employment Services Limited
B.C. Pozzolan Limited
Buccaneer Mines Limited (Non-Personal Liability)
Koona Lake Mines Limited (Non-Personal Liability)
Paradise Petroleums (1966) Limited
Summit King Mines Limited
Tern Lake Mines Limited (Non-Personal Liability)

BRALORNE
RESOURCES
LIMITED
1973 ANNUAL REPORT

PRINTED IN CANADA

To the Shareholders:

Total net earnings in the first half, of $1,367,020 or 27.9¢ per share, was $715,000 higher than the same period of 1972 due solely to the inclusion of net gains from extraordinary items of $895,000. Cash flow and net earnings from ordinary operations were down somewhat from the 1972 experience, basically reflecting higher net financing costs this year. While there were deviations in the performance of individual divisions, revenues and income in total from the Barber, Bruce Rome, and Crown Caterers divisions were comparable for these two periods.

The sale of the Company's interest in Bracell Petroleums Limited was completed in June for a total net cash consideration of $6,093,020. This transaction, which resulted in a net extraordinary gain to the Company of $3,916,000, had two important by-product components. Firstly, Bralorne was fortunate to retain the key members of the Bracell staff as a nucleus for its own Oil & Gas division. Mr. Harry Dernick, formerly President & Chief Executive Officer of Bracell, became Vice President and General Manager of Bralorne's oil and gas exploration thrust. As a second by-product of the Bracell sale, Bralorne bid for and subsequently acquired for $878,000 cash Bracell's U.K. subsidiary which holds more than 500,000 acres on shore in England, syndicate positions in acreage in both the Celtic Sea and Dutch North Sea, and non-exclusive exploration licences in the Irish Sea.

Despite further improvements in metal prices the Bradina joint venture mine was unable to make any contribution to capital in the second quarter.

Due to the continuing poor underground wall conditions, aggravated by manpower problems and poor exploration results, it has been regretfully concluded after consultation with our investing partner and outside experts that the operations at the mine should be suspended. Accordingly, the Company has made provision in the form of an extraordinary charge of $3,021,000 against first-half income which is the current best estimate of the probable loss on this project.

On the positive mining side work on the Bralorne gold exploration program has been proceeding on schedule and the initial drilling and drifting program of the 51 vein structure should commence in early October. More information on this important program is contained in a reprint of a recent Northern Miner article on the Bralorne mine, which is being forwarded to you with this report.

Mr. N. C. Croome has been appointed Vice-President & General Manager, Mining Division, effective August 27, 1973. Mr. Croome, a Canadian, brings to his new position more than 25 years' experience in hard rock mining and exploration in both North and South America.

The Company has been recently approached to sell at a profit its initial investment in northern water transportation. After consideration of the potential alternative uses for corporate funds now available in oil and gas and gold exploration, it was decided to enter into serious negotiations which have resulted in the sale of these assets in the third quarter.

The Company's net working capital position has been strengthened significantly in the second quarter and stands at $6,428,000 after reflecting both the proceeds of the Bracell share sale and the subsequent acquisition of Bracell Exploration (U.K.) Limited.

Yours truly,

F. W. Fitzpatrick,
President

Paul Porzelt,
Chairman

BRALORNE RESOURCES LIMITED

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BRALORNE RESOURCES LIMITED

CONSOLIDATED STATEMENT OF EARNINGS FOR THE PERIOD ENDED JUNE 30, 1973

(thousands of dollars)

	Three months ended June 30		Six months ended June 30	
	1973	1972*	**1973**	1972*
Revenues:				
Sales of products and services	**$3,521**	$3,369	**$8,871**	$8,733
Royalty, investment and other income	**260**	221	**518**	453
	3,781	3,590	**9,389**	9,186
Expenditures:				
Operating, administrative and general	**3,529**	3,269	**8,375**	8,007
Interest	**141**	112	**257**	200
	3,670	3,381	**8,632**	8,207
Cash flow from operations before income taxes	**111**	209	**757**	979
Current income taxes	**9**	10	**14**	146
Cash flow from operations	**102**	199	**743**	833
Non cash provisions:				
Depreciation and amortization	**79**	71	**247**	235
Increase in share of retained earnings of Bracell Petroleums	—	(29)	—	(62)
Other	**14**	7	**24**	8
	93	49	**271**	181
Net earnings before extraordinary items	**9**	150	**472**	652
Gain on sale of Bracell Petroleums	**3,916**	—	**3,916**	—
Estimated loss on investment in Bradina Joint Venture	**3,021**	—	**3,021**	—
	895	—	**895**	—
Net earnings for the period	**$ 904**	$ 150	**$1,367**	$ 652
Per share:				
Cash flow from operations — before income taxes	**2.3¢**	4.3¢	**15.5¢**	20.2¢
— after income taxes	**2.1¢**	4.1¢	**15.2¢**	17.2¢
Net earnings before extraordinary items	**.2¢**	3.1¢	**9.6¢**	13.4¢
Net earnings for the period including extraordinary items	**18.5¢**	3.1¢	**27.9¢**	13.4¢

CONSOLIDATED STATEMENT OF SOURCE AND DISPOSITION OF WORKING CAPITAL FOR THE PERIOD ENDED JUNE 30, 1973

(thousands of dollars)

	Six months ended June 30	
	1973	1972*
Source of working capital:		
Cash flow from operations	**$ 743**	$ 833
Proceeds from sales of capital assets	**253**	44
Equipment instalment contract proceeds	**231**	—
Proceeds from sale of Bracell Petroleums	**6,093**	—
	7,320	877
Disposition of working capital:		
Capital asset expenditures	**576**	283
Exploration expenditures	**211**	28
Investment in and advances to subsidiary companies	**1,706**	296
Investment in Bradina Joint Venture	**100**	1,565
Repayment of long term debt	**141**	224
Payment of tax on undistributed income of subsidiary	—	171
Other	**25**	63
	2,759	2,630
Working capital change	**4,561**	(1,753)
Working capital, beginning of period	**1,867**	3,361
Working capital, end of period	**$6,428**	$1,608

* Restated to reflect the sale of various minor corporate units during the second half of 1972 and to record depreciation and other major costs on an activity rather than a period basis in accordance with the company's current accounting practices.

Unaudited